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Lawmakers set the stage for county borrowing

Document OK'd allowing loan based on the best deal

By **Matthew Spina**

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A late round of competition among bond underwriters might prove to benefit Erie County taxpayers when the government borrows about \$90 million in September for short-term cash.

The County Legislature interrupted its recess Monday to set the stage for the borrowing after reaching an understanding with the county's fiscal control board that will help ensure that the county gets the best deal.

County Executive Chris Collins had been looking to the state-appointed control board to arrange the loan. The control board, with a superior credit rating, can almost always borrow more cheaply than the government can.

Collins in June asked the Legislature to approve the "declaration-of-need" document that symbolizes the government's formal request to use the control board's borrowing power.

The Legislature balked so that Comptroller Mark C. Poloncarz could price a loan that he would arrange. County comptrollers used to arrange loans before the control board was created. Some current lawmakers were concerned that the government had not sold its own bonds or notes on Wall Street for about five years.

The Collins team considered the borrowing delay needless and said so. Poloncarz, a Democrat, is running against the Republican Collins for county executive this year.

"Mark Poloncarz continues to hurt taxpayers through his incompetence and his petty politics," Collins campaign spokesman Stefan Mychajliw said two weeks ago.

“Poloncarz’s inability to be able to provide real savings clearly demonstrates that he is not competent enough to properly manage Erie County, a \$1 billion operation.”

The county borrows money nearly every year so it can pay its bills until it collects state and federal reimbursements for expensive social services programs. Early indications were that the control board could save taxpayers more than \$600,000 when repaying the approximately \$90 million “revenue anticipation note” over a term not to exceed one year.

When the Legislature voted, 8-7, in July to hold off on the declaration of need, Poloncarz sought offers from underwriters. One quote from M&T Securities put a Poloncarz transaction into the same

price ballpark as the deal that the Erie County Fiscal Stability Authority arranged with its underwriter, Roosevelt and Cross.

Because the control board’s loans are slightly more complex to arrange, Poloncarz figures his transaction would save another \$25,000 beyond what the control board could save because less work would be required from outside financiers.

But he will realize those savings only if Moody’s Investors Service gives Erie County its best short-term credit rating of MIG1 — the rating the control board has already attained for short-term loans.

When the Legislature interrupted its summer recess Monday to again act on the declaration of need, a new strategy emerged. The 15-member Legislature unanimously approved the declaration, with the understanding that the control board will do little to advance its transaction, to give Poloncarz two to three weeks to obtain the MIG1.

If Moody’s does not grant the rating, or if M&T Securities later determines that it cannot make good on its initial interest rate offer of 0.68 percent, the government will turn to the control board to secure the \$90 million by the end of September, when the county will need the money.

The control board’s executive director, Kenneth Vetter, told lawmakers Monday that the control board’s deal offers the government the highest reward with the lowest risk because Poloncarz’s transaction depends on factors not yet certain. But Vetter also agreed that the control board will “stand back” and “allow the comptroller to do whatever he needs to do at this point.”

Erie County finances, for various reasons, are in better shape than in 2005, when state leaders imposed a control board on the county as it tried to claw out of its latest financial crisis.

One thing that hasn’t changed is the 8.75 percent sales tax rate installed at the time, the highest rate in upstate. On Monday, the Legislature also completed the last of three procedural votes required to keep the sales tax at that level for a couple more years.

mspina@buffnews.com

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